

EXCEPTION



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George M. Papa
George M. Papa Water Company
57 North Fraser Drive
Mesa, Arizona 85203
Telephone (480) 844-7356

January 8, 2001

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AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

**RE: OPEN MEETING AGENDA ITEM NO. 15.
APPLICATION OF MOUNTAIN GLEN WATER
SERVICE, INC. FOR CC&N TO PROVIDE WATER
SERVICE AND IN THE MATTER OF GEORGE M.
PAPA WATER COMPANY: COMPLAINT AND
ORDER TO SHOW CAUSE.**

W-01894A - 00-0289 and W-01894A - 00 - 0654

**REPLY TO THE RECOMMENDATIONS OF THE
HEARING OFFICER MS. ALICIA GRANTHAM**

ORIGINAL AND 10 TO DOCKET CONTROL

Gentlemen:

On Tuesday and Wednesday, January 9th and 10th, this Arizona Corporation Commission will duly assemble and transfer the CC & N from the George M. Papa Water Company to the Mountain Glen Water Service, Inc. This will *temporarily* close the book on the 28-year life of the George Papa Water Company.

What will remain is for PWC to then sue ACC in civil court for the value of the system.

The legal basis for this recovery of damages is that during the past several decades ACC has been egregiously negligent in providing both a fair rate of return and also a fair plant value for the George Papa Water Company. As the result thereof, the company became insolvent and was sold for back taxes.

The full blame falls on ACC because not only were the above rate of return deficiencies contrary to state law, but also, ACC succeeded over two years ago in removing the owner, Mr. George Papa, as the manager and installing its own manager. ACC persuaded the Navajo County Superior Court that there would be enough monthly income to not only pay the back tax obligations, but to also bring the company into compliance with ADEQ as well, and that thereupon, the company would revert back to Papa.

This did not happen. The new manager under ACC neither paid the back taxes nor did he bring the company into compliance with the Safe Drinking Water Act and the other improvements required by both ACC and this Commission. The company never came close to being financially solvent nor in compliance with ADEQ standards during the two years the system was under the care of ACC. Instead, Papa was merely "locked out" of his system and his company was foreclosed on while under the formal liability and watch of ACC. Now ACC simply insists that the new owner who purchased the tax deed must bring the company into compliance with the Safe Drinking Water Act.

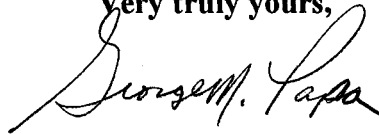
Many other things will come out at the trial for damages, including the violation of the time-line for ACC to act within 180 days on the formal rate increase application to which a sufficiency letter from ACC was granted on Feb. 3, 2000.

Nobody at ACC ever believes Papa when he speaks regarding the deficiencies of ACC, including the ruinous and illegal 5% depreciation imposed by ACC over all small water systems (after 20 years the system is worth nothing) and the ruinous and illegal Original Cost Less Depreciation (OCLD) method of determining Plant Value -- which improper valuation method omits any allowance for inflation -- contrary to several Arizona Supreme Court mandates.

Consequently, it is the intent of George M. Papa to achieve damages both actual and punitive plus court costs from ACC as the result of the loss of his system. Navajo County Superior Court has already recently ruled that such a new civil action can be brought without prejudice from the existing Superior Court.

A successful lawsuit of this nature will then perhaps be the effective message ACC needs to realize its statutory and financial duty to all small water systems.

Very truly yours,

A handwritten signature in cursive script, appearing to read "George M. Papa".

George M. Papa